

AWARENESS

Accounting and Auditing Developments - ISSUE 4 - JUNE 2009

AUDIT OFFICE UPDATE

Auditor-General's Report to Parliament 2009: Financial Audits Volume Two

This volume summarises the results of a number of our financial audits. Significant items include:

Corporate Governance Arrangements in Large Government Agencies and Universities:

The survey of large New South Wales Government agencies' and universities' key corporate governance arrangements identified gaps in:

- key stakeholder communication
- continuous disclosure of performance
- management sign-offs on the adequacy of internal controls
- managing compliance with laws and Government directions
- fraud control.

Audit of Members' Additional Entitlements

The Legislature did not have any formal process to monitor and ensure members' loyalty or incentive scheme accounts are used for Parliamentary purposes only.

Electoral Mail Account (EMA) entitlement spending is mostly concentrated at the end of each financial year. In 2008, 46 per cent of EMA expenditure was spent in June.

Office of the Protective Commissioner - Common Fund

Control weaknesses relating to the payment of client expenses were identified in 2007 and considerably delayed finalising the audit. While most recommendations to address these weaknesses have been implemented, some actions are incomplete and corrective action is continuing.

Universities Overview

The combined universities incurred an operating loss of \$65.7 million compared to a surplus of \$388 million in 2007, largely as a result of the global financial crisis and volatility in financial markets. The 2008 losses include unrealised investment losses of \$407 million and a reduction in investment income of \$88.4 million.

CONTENTS

AUDIT OFFICE UPDATE	1
ACCOUNTING UPDATE	4
AUDITING UPDATE	6
FINANCIAL REPORTING COUNCIL (FRC) UPDATE	7
ETHICS UPDATE	8
ASICS UPDATE	9
LEGISLATIVE UPDATE	9
PREMIER'S DEPARTMENT UPDATE	11
TREASURY UPDATE	12
INTERNATIONAL UPDATE	14
MISCELLANEOUS PUBLICATIONS	19
AUDIT OFFICE BETTER PRACTICE GUIDES	21
ACRONYMS AND ABBREVIATIONS	22
COPIES OF REPORTS AND PUBLICATIONS	23



THE AUDIT OFFICE
OF NEW SOUTH WALES

Unfunded superannuation liabilities increased by \$1.8 billion to \$3.1 billion. These liabilities are to be funded by the Australian Government, but there are no funding agreements with the universities.

Overseas students now represent 19.7 per cent of all enrolled students. Revenue from these students is 48.4 per cent of total student revenue indicating increased reliance by universities on this source of revenue.

Excessive annual leave balances for academic staff are increasing, indicating universities need to manage academic leave more effectively to minimise costs and Occupational Health and Safety implications.

Universities control 125 separate entities increasing compliance costs and governance risks.

Two universities have yet to implement asset management plans to ensure the construction and procurement of assets is planned and managed effectively.

Backlog maintenance for all universities is estimated at \$983 million.

Capital works expenditure across all universities totalled \$794 million in 2008 and \$1.7 billion is projected to 2010. Under the current economic conditions, universities will need to continuously review and carefully manage these projects to ensure adequate funding/cashflows are available.

Further information

The full report is available on the [Audit Office of New South Wales website](#).

Auditor-General's Report to Parliament: Improving Road Safety - Heavy Vehicles

About the audit

There were 3,032 crashes involving heavy vehicles on New South Wales roads in 2007.

Improving road safety and the regulation of heavy vehicles in New South Wales is the responsibility of the Roads and Traffic Authority of New South Wales (RTA). The RTA uses annual vehicle inspections, on-road compliance checks, Safe-T-Cam cameras and fixed speed cameras to test compliance with heavy vehicle safety regulations.

In this audit we wanted to assess how well the RTA manages on-road enforcement to reduce the number and severity of crashes involving heavy vehicles. Specifically we wanted to find out how well the RTA:

- deters and detects breaches of heavy vehicle safety regulations
- enforces heavy vehicle safety regulations.

We also examined the RTA's response to the crash that occurred on the F3 freeway at Mooney Mooney. On 22 October 2004 an unregistered semi-trailer loaded with 18 tonnes of building material crashed into 34 vehicles travelling north on the F3 freeway. One woman died and two people were seriously injured.

Audit opinion

The RTA's approach to detecting and enforcing heavy vehicle safety has produced mixed results.

There have been overall decreases in the number of crashes and people killed and injured in crashes involving heavy vehicles between 2002 and 2007. However, the number of crashes and the number of people injured have increased between 2006 and 2007.

The RTA has been most successful in reducing the number of crashes due to the vehicle's condition. It has also been successful in reducing the number of crashes and deaths due to fatigue.

In contrast, there has been a recent increase in the number of crashes involving speed. Nearly half of all fatal crashes involving heavy vehicles occur in high speed zones.

The RTA regularly surveys the speed of heavy vehicles and nearly half are found to exceed the 100 km per hour heavy vehicle speed limit.

However, we found that the rate of infringements for speeding offences by heavy vehicles is three times lower than the rate for other vehicles.

There are many possible reasons for this lower rate of speed infringements for heavy vehicles. One is that the RTA's fixed speed cameras located in 110 km per hour zones cannot distinguish a heavy vehicle from other vehicles and, therefore cannot differentiate those exceeding the heavy vehicle speed limit of 100 km per hour.

Also, while Safe-T-Cam is supposed to manage both speed and fatigue, we found that while it can detect speeding offences it is not used to enforce them.

There are other areas where we think that the RTA can improve its approach. While it would be impossible for the RTA to detect all instances where the vehicle or driver fails to comply with regulations, we do expect the RTA to maximise detection, especially where it targets high risk vehicles.

Further information

The full report is available on the [Audit Office of New South Wales website](#).

Guide to Better Practice: A guide for monitoring the implementation of audit recommendations, May 2009

Monitoring and reporting on performance audit recommendations

Twelve months after a performance audit is tabled the Public Accounts Committee will examine whether agencies have implemented accepted recommendations from performance audits and whether any changes in practice or performance have occurred in response to these audits.

The Public Accounts Committee has published its preferred format for this submission. Once the Committee has received an agency's submission it will refer them to the Auditor-General for comment; and if necessary, invite agency CEOs and the Auditor-General to a hearing to respond to Committee questions.

The publication provides guidance on how to establish appropriate mechanisms to monitor progress and report on changes following a performance audit.

Further information

The full report is available on the [Audit Office of New South Wales website](#).

ACCOUNTING UPDATE

Australian Accounting Standards Board (AASB) Pronouncements

AASB 1048 'Interpretation and Application of Standards'

The AASB has updated AASB 1048 'Application and Interpretation of Standards' for the recent release of two new AASB interpretations based on International Financial Reporting Interpretations Committee (IFRIC) releases by the IASB.

The new Interpretations are:

- Interpretation 17 'Distributions of Non-cash Assets to Owners'
- Interpretation 18 'Transfers of Assets from Customers'.

The revised AASB 1048 applies to reporting periods ending on or after 31 March 2009 and is available on the [AASB website](#).

Source: Accounting & Assurance News Today Issue 18 (8 May 2009).

AASB Work Program

The AASB has released a revised version of its work program showing its current active projects and the expected date of release of EDs and standards on major topics.

A copy of the program is available on the [AASB website](#).

Source: Accounting & Assurance News Today Issue 17 (1 May 2009).

AASB Public Sector Policy Paper

The AASB has updated its Public Sector Policy Paper, which outlines the broad principles the Board follows in addressing various public sector issues and the actions that the AASB plans to take.

A copy of the paper is available on the [AASB website](#).

Source: Accounting & Assurance News Today Issue 17 (1 May 2009).

AASB Exposure Drafts

ED 179 'Superannuation Plans and Approved Deposit Funds'

This exposure draft proposes changes to the way superannuation plans and Approved Deposit Funds report financial results.

ED 179 proposes to replace AAS 25 'Financial Reporting by Superannuation Plans' with a new Australian Accounting Standard. It aims to provide improved comparability of financial statements and more detailed disclosures regarding member benefits. The ED proposes to address a number of perceived gaps in the current superannuation reporting requirements, including a more rigorous approach to measuring defined benefit obligations, which may provide a more accurate picture of the solvency of defined benefit plans.

ED 179 is available on the [AASB website](#) and submissions are due to the AASB by 30 September 2009.

Source: Accounting & Assurance News Today Issue 20 (22 May 2009).

AASB Meeting Highlights - 20-21 May 2009

At its meeting, the AASB discussed the following:

- **Consultative Group** - The Board met with its Consultative Group on 20 May 2009. The Board's work program and priorities, responses to the global financial crisis, the status of projects on accounting for superannuation plans and approved deposit funds, leases and differential reporting were discussed. Members also received an update on the Board's international activities including the formation of an Asian Oceanian Standards Setters Group.
- **Differential Reporting** - The Board discussed whether Australia should be adopting International Financial Reporting Standards (IFRS) for small and medium entities (SMEs). They agreed to monitor the uptake of IFRS for SMEs by other jurisdictions and work with New Zealand Financial Reporting Standards Board (FRSB) in determining whether to adopt it or not. At a future meeting, the Board will consider alternatives for for-profit entities, public sector and not-for-profits and look at the definition of public accountability.
- **Income from Non-Exchange Transactions** - The Board approved the issue of ED 180 'Income from Non-exchange Transactions (Taxes and Transfers)', subject to making a number of amendments. It was issued as a joint ED with FRSB with a five month comment period.
- **Revenue Recognition** - The Board considered comment letters and views expressed at roundtable discussions on ITC 18 - Request for Comment on IASB Discussion Paper 'Preliminary Views on Revenue Recognition in Contracts with Customers'. The key aspects of the preliminary views Board included the significance of the distinction between goods and services and the delivery of goods in terms of the treatments that would apply. The submission to the IASB will be finalised out-of-session.
- **Annual Improvements** - The Board approved Accounting Standards AASB 2009-4 'Amendments to Australian Accounting Standards arising from the Annual Improvements Process' and AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process'. AASB 2009-4 applies to annual reporting periods beginning on or after 1 July 2009. AASB 2009-5 will apply to annual reporting periods beginning on or after 1 January 2010.
- **First-time Adoption of Australian Accounting Standards** - The Board approved AASB 1 'First-time Adoption of Australian Accounting Standards' (May 2009) following IASB amendments. AASB 1 (May 2009) supersedes AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' and applies to annual reporting periods beginning on or after 1 July 2009.
- **IASB Insurance Project** - The Board will continue to monitor the work of the IASB on insurance contracts and provide input on selected issues in advance of the IASB's forthcoming ED.
- **Financial Instruments** - The Board noted the IASB's intention to accelerate the process of revising IAS 39 'Financial Instruments: Recognition and Measurement'.
- **Policies and Processes** - The Board considered a draft 'Statement of Policies and Processes'. The draft deals with the Board's policies and processes regarding the development of Standards and Interpretations including the policy in respect of transaction neutrality, differential reporting, due process, consultation and communication. The Board will consider a further draft at a forthcoming meeting.

Source: AASB Action Alert (Issue 125) and Accounting & Assurance News Today Issue 20 (22 May 2009).

AUDITING UPDATE

Auditing and Assurance Standards Board (AUASB) News

Update on AUASB Clarity Project

The project to redraft the Australian Auditing Standards in Clarity format remains on track, with 36 exposure drafts now issued for comment. A further three exposure drafts and the new 'Preamble to Australian Auditing Standards' are due for release before the end of June 2009.

The AUASB remains committed to finalising its full suite of redrafted Standards by October 2009, with the operative date to be for financial reporting periods commencing on or after 1 January 2010.

While the redrafting process has resulted in most Auditing Standards containing an increased number of requirements and related guidance, the fundamental audit principles and procedures remain unchanged.

Source: Accounting & Assurance News Today Issue 18 (8 May 2009).

Feedback Sought on GS 007 Implementation

The AUASB is conducting a review of the implementation of GS 007 'Audit Implications of the Use of Service Organisations for Investment Management Services', which applied to periods commencing 1 July 2008.

As part of this review, the AUASB is seeking feedback on the experiences of practitioners and service organisations that have, or are in the process of, implementing this standard for their 31 December 2008 and 30 June 2009 year-ends. Comments are also sought from user auditors about whether the reports from service organisations are providing the audit evidence they require.

The AUASB is particularly interested in whether the control objectives specified in GS 007 are sufficiently clear and comprehensive.

For more information, visit the [AUASB website](#).

Source: Accounting & Assurance News Today Issue 17 (1 May 2009).

'Going Concern Issues in Financial Reporting: A Guide for Companies and Directors'

The Australian Institute of Company Directors (AICD) and the AUASB have issued a publication, 'Going concern issues in financial reporting: a guide for companies and directors', to explain the concept of going concern and assist company directors in performing and reporting on their going concern assessment.

A copy of the publication is available on the [AUASB website](#).

Source: AUASB website.

AUASB International Update

AUASB has released its second 'International Update', which summarises the significant news and activities during April and May 2009 of the following standards-setting bodies:

- the International Auditing and Assurance Standards Board (IAASB)
- the Auditing Practices Board (UK)
- the Public Company Oversight Board (USA)
- the Auditing Standards Board (ASB) and the Accounting and Review Services Committee (ARSC) of the American Institute of Certified Accountants (USA)
- the Auditing and Assurance Standards Board (Canada)
- the Professional Standards Board (New Zealand).

A copy of the publication is available on the [AUASB website](#).

Source: AUASB website.

AUASB Pronouncement

Guidance Statement GS 011 'Third Party Access to Audit Working Papers'

The AUASB has released Guidance Statement GS 011 'Third Party Access to Audit Working Papers', which provides guidance to auditors on how to deal with third-party requests for access to audit or review working papers. It replaces AGS 1038 'Access to Audit Working Papers'.

Source: Accounting & Assurance News Today Issue 17 (1 May 2009).

FINANCIAL REPORTING COUNCIL (FRC) UPDATE

FRC Meeting Highlights - 5 May 2009

At its meeting, the FRC considered the following:

- the Chairman's recent overseas meetings
- issues of concern to stakeholder bodies
- endorsement of Australia's adoption of the clarity standards
- Department of Climate Change presentation
- recent developments concerning provision of guidance about the going concern assumption
- Public Sector concerns, raised during the Public Sector Accounting Workshop.

For further details go to the [FRC website](#).

ETHICS UPDATE

Accounting Professional and Ethical Standards Board (APESB)

APES 305 'Terms of Engagement'

APESB issued APES 305 'Terms of Engagement', which is effective for engagements commencing on or after 1 July 2008.

APES 305 sets the standards for providing quality and ethical Professional Services to clients. In some instances there are specific standards applicable to Members in Public Practice issued by other standard setting bodies or specific requirements of statutes in respect of Terms of Engagement, for example ASA 210 'Terms of Audit Engagements' issued by AUASB. Compliance with these other standards or statutes should result in compliance with APES 305.

Source: [APESB website](#).

APES 320 'Quality Control'

APESB has issued the revised APES 320 'Quality Control for Firms' effective from 1 January 2010. The revised standard reflects changing international standards including the revised International Standard on Quality Control (ISQC1), issued by International Federation of Accountants, in late 2008.

The revised APES 320 requires accountants in sole practice and practising within firms to establish and maintain a system of quality control that encompass the whole of their practice. It also addresses the need for an engagement quality control reviewer in accountancy firms, who is not part of the client engagement team, to objectively evaluate the quality of work undertaken.

The revised standard applies to all assurance work, including external audits, undertaken by accountants practising in firms and all other professional services such as taxation or valuation services.

Source: [APESB website](#).

APESB Meeting Highlights - 7-8 May 2009

At its meeting, the APESB discussed the following:

- **Insolvency** - The Board considered responses to the ED 05/08 APES 330 'Insolvency Services' and agreed to shortly finalise this standard to replace Miscellaneous Professional Statement APS 7 'Statement of Insolvency Standards'. The new standard will be designated APES 330 'Insolvency Services' and is intended to take effect from 1 January 2010.
- **Due Diligence** - The Board considered a draft of an exposure draft of a new standard dealing with participation by a member in public practice in Due Diligence Committees, and determined to consider further redrafting ahead of the planned release of an exposure draft.
- **Tax Agent's Code of Professional Conduct** - The Board considered a comparison of the requirements of APES 110 'Code of Ethics' and APES 220 'Taxation Services' with the Code of Professional Conduct contained in the *Tax Agent Services Act 2009*.
- **APES 320 'Quality Control for Firms'** - The Board considered responses to the exposure draft ED 01/09 and agreed to finalise and release the revised standard in the near future.
- **APES 110 'Code of Ethics for Professional Accountants'** - The Board agreed to commence a project to update APES 110 in line with changes to the international 'Code of Ethics for Professional Accountants' issued by the International Ethics Standards Board for Accountants (IESBA).

Source: Accounting & Assurance News Today Issue 19 (15 May 2009).

ASIC UPDATE

Draft Report on Unregulated Markets

ASIC has released for public comment a Consultation Report prepared by the International Organization of Securities Commissions' (IOSCO) Technical Committee Task Force on Unregulated Markets and Products.

The report identifies possible regulatory and industry reforms for key market segments that have been of major concern during the global financial crisis. There is a particular focus on the securitisation market, including asset-backed securities (e.g. residential mortgage backed securities and collateralised debt obligations) as well as the credit default swap market.

ASIC is now seeking national and international feedback on the recommendations, which are aimed at introducing greater transparency and oversight in unregulated financial markets and products and improving investor confidence.

The consultation period closes 15 June 2009. For further details, go to the [ASIC website](#).

Source: Accounting & Assurance News Today Issue 19 (15 May 2009).

LEGISLATIVE UPDATE

Corporations Legislation Amendment (Financial Services Modernisation) Bill 2009

The Bill:

- introduces legislation that provides for a single, standard, national regulatory regime for the regulation of trustee companies
- harmonises the legal regime to require all retail debentures and promissory notes to be subject to the full range of consumer disclosure and protection measures currently only applicable to debentures. This will include the requirement to have a trust deed and trustee arrangements, and to issue a full prospectus
- adds margin lending to the *Corporations Act 2001* as a financial product.

The Exposure Draft of the *Corporations Amendment (Financial Services Modernisation) Bill 2009* is available on the [Treasury website](#).

The closing date for submissions ended on 29 May 2009 and the Bill will be introduced into Parliament in June.

Source: Accounting & Assurance News Today Issue 18 (8 May 2009).

Termination Benefits Reform Bill

The Bill proposes:

- to significantly lower the threshold at which shareholder approval is required for a termination payment
- to expand the number of company officers for which approval is required
- to broaden the definition of what constitutes such a 'benefit' to close any loopholes, including a new Regulation-making power to deem new forms of payment that seek to avoid the law as a termination benefit
- significantly higher penalties
- a mechanism for shareholders to assess golden handshakes in the context of the recipient's actual performance.

The closing date for submissions ended on 2 June 2009 and the Bill will be introduced into Parliament during winter sittings.

The Bill and draft commentary are available on the [Treasury website](#).

Source: Accounting & Assurance News Today Issue 18 (8 May 2009).

Electricity Supply Amendment (Energy Savings) Bill 2009

The object of this Bill is to amend the *Electricity Supply Act 1995* (the principal Act) to establish an energy savings scheme. The scheme is intended to create a financial incentive to reduce the consumption of electricity by encouraging energy saving activities. The energy savings scheme is different from the existing greenhouse gas abatement scheme.

Retail suppliers of electricity, and certain other participants in the electricity market, will be required to participate in the energy savings scheme.

Participants in the energy savings scheme will be required to meet an individual energy savings target in each year (starting with 2009). Scheme participants can meet their individual energy savings target by surrendering energy savings certificates to the Scheme Regulator. The certificates are tradeable.

The Bill makes provision for the operation and enforcement of the energy savings scheme, including penalties for non-compliance.

The energy savings scheme will automatically terminate at the end of 2020, but may be terminated earlier (for instance if a national energy savings scheme is established).

For further details refer to the [New South Wales Parliament website](#).

Source: New South Wales Parliament Website.

Update on Carbon Pollution Reduction Scheme

Legislation to introduce a Carbon Pollution Reduction Scheme (CPRS), and to start reducing Australia's emissions for the first time, was introduced to the Parliament on 14 May 2009.

For more information, go to the [Department of Climate Change website](#).

Source: Accounting & Assurance News Today (ANT) Issue 19 (15 May 2009).

Commonwealth to Audit Directors' Liability Laws

The Federal Government has announced that in the second half of 2009 they will be undertaking an audit of its laws that apply to company director liability.

The Council of Australian Governments (COAG) requested that all Commonwealth, State and Territory members of the Ministerial Council perform an audit against a set of principles developed by COAG. This is part of a program aimed at harmonising these laws nationally and examining the imposition of personal criminal liability for corporate fault.

For more information, go to the [Federal Treasurer's website](#).

Source: Accounting & Assurance News Today (ANT) Issue 16 (24 April 2009).

PREMIER'S DEPARTMENT UPDATE

Premier's Circulars

C2009-13 'Prequalification Scheme: Audit and Risk Committees'

The Scheme establishes a list of prequalified independent chairs and members who can be appointed by Chief Executives to serve on Audit and Risk Committees of New South Wales Government agencies.

The guidelines on the operation of the Scheme include the following requirements:

- from 30 April 2009, all new appointments to Audit and Risk Committees of New South Wales Government agencies must be made from the prequalified panel
- current public servants employed under the *Public Sector Employment and Management Act 2002* can no longer serve as an independent member or chair of an Audit and Risk Committee for another New South Wales Government agency
- chairs and members will need to meet the independence and conflict of interest criteria set out in the forthcoming Treasury 'Internal Audit and Risk Management Policy'
- independent chairs or members may be appointed to no more than five Audit and Risk Committees of New South Wales Government agencies at any one time.

Source: [Department of Premier and Cabinet website](#)

Other Premier's Circulars

The following recent Premier's Department Circulars are available at www.dpc.nsw.gov.au.

- [C2009-11](#) - SES/Senior Officer Motor Vehicle Charges 2009-2010.
- [C2009-12](#) - National Aboriginal & Islander Day Observance Committee.
- [C2009-14](#) - Walk Safely to School Day.
- [C2009-15](#) - Leave for Staff Affected by Flooding in Northern New South Wales.
- [C2009-16](#) - Managing Sick Leave Policy.

Premier's Memoranda

The following recent Premier's Department Memoranda are available at www.dpc.nsw.gov.au.

- [M2009-09](#) - Ministerial Councils.
- [M2009-10](#) - Release of Overseas Travel Information.
- [M2009-11](#) - New South Wales Standard on Digital Recordkeeping.

TREASURY UPDATE

Treasury Policy Papers

TPP 09-4 'Accounting Policy: Financial Reporting Code for Budget Dependent General Government Sector Agencies' (the Code)

The Code sets out the financial reporting framework for Budget Dependent agencies. It outlines the form and content of the financial report, including the note disclosures.

The Code incorporates the disclosure requirements of Australian Accounting Standards applicable to government departments and other additional disclosure requirements for New South Wales budget dependent general government sector agencies.

Source: [New South Wales Treasury website](#).

Treasury Research and Information Paper

TRP 09-2 'Interstate Comparison of Taxes 2008-2009'

This annual Research and Information Paper provides a brief description of each tax to facilitate interstate comparisons.

Source: [New South Wales Treasury website](#).

Treasury Circulars

TC 09/01 'Accounting for Superannuation'

This Circular outlines the accounting treatment for superannuation for New South Wales public sector entities (including Statutory State Owned Corporations) for financial years ending on or after 30 June 2009.

The Circular incorporates changes resulting from a decision to change the accounting policy option available under AASB 119 'Employee Benefits'. Treasury has decided to recognise superannuation actuarial gains and losses on defined benefit plans outside of profit or loss. Previously actuarial gains and losses were recognised through profit and loss.

The Circular also includes:

- extract of the primary financial statements and relevant note disclosures
- summary of the consequential changes to TC 06/13 'Financial Reporting and Annual Reporting Requirements Arising from Employment Arrangements'
- guidelines for superannuation scheme reserve transfers
- guidance regarding the circumstances where an agency may use a surplus in one defined benefit scheme to extinguish (fully or partly) the deficit in another defined benefit scheme.

Source: [New South Wales Treasury website](#).

TC 09/02 'Land under Roads'

This Circular instructs agencies on how to account for land under roads in accordance with AASB 1051 'Land under Roads'.

Previously, the Total State Sector Accounts did not recognise land under roads. To maintain consistency, Treasury has elected under AASB 1051 not to recognise pre 1 July 2008 land under roads in the Total State Sector and General Government Sector, pending further review by the valuation profession of the appropriate valuation methodology. In the interim, the treatment by agencies of land under roads follows.

Pre 1 July 2008 land under roads

- Any agency that has previously recognised land under roads may still do so, or opt under AASB 1051 to derecognise pre 1 July 2008 land under roads.
- Where land under roads has not previously been recognised, an agency must not elect to recognise pre 1 July 2008 land under roads as an asset under AASB 1051.

Post 1 July 2008 land under roads

- Agencies that have not previously recognised land under roads or agencies that have elected to derecognise pre 1 July 2008 land under roads must recognise post 1 July 2008 land under roads at original cost (rather than fair value).
- Where an agency previously recognised and is continuing to recognise land under roads, the same valuation methodology used in 2007-08 must be applied to all land under roads, until otherwise advised.

This Circular applies from financial years beginning on or after 1 July 2008.

This Circular does not apply where the roads are located on a larger title or parcel of land that the agency recognises and values in total (e.g. National Parks). In these circumstances, the total land parcel must continue to be valued on the same basis as previously.

Source: [New South Wales Treasury website.](#)

TC 09/03 'Mandates of Options and Major Policy Decisions under Australian Accounting Standards'

This Circular mandates accounting policy options under Australian Accounting Standards to be applied in agency financial reports for financial years ending on or after 30 June 2009.

The main changes are:

- the inclusion of a new mandate regarding land under roads (also refer to TC 09/02)
- revised mandates arising from the change in the treatment of superannuation actuarial gains and losses (also refer to TC 09/01)
- the inclusion of an updated list of new or revised Accounting Standards.

The Circular applies to all entities that are required to prepare general purpose financial reports under the *Public Finance and Audit Act 1983*, including statutory State Owned Corporations.

This Circular supersedes and withdraws TC 08/04 'Mandates of Options and Major Policy Decisions under Australian Accounting Standards'.

Source: [New South Wales Treasury website.](#)

TC 09/04 'Accounting for Long Service Leave (LSL) and Annual Leave'

This Circular outlines the accounting treatment for LSL and annual leave for New South Wales public sector agencies (including Statutory State Owned Corporations) for financial years ending on or after 30 June 2009.

This Circular updates and supersedes TC 07/04 and incorporates changes as a result of a recent actuarial valuation of LSL performed by Treasury's actuary. The changes include:

- updated LSL consequential cost factors for budget dependent agencies whose LSL is assumed
- Non-Budget LSL Pool agencies can no longer apply the nominal shorthand method to approximate present value. They are required to provide the nominal LSL to Treasury, which will calculate the present value.

Source: [New South Wales Treasury website.](#)

TC 09/05 '2008-09 Total State Sector and General Government Sector Financial Reports Financial Reporting Requirements for Agencies'

This Circular contains:

- information on year-end financial reporting, auditing and the preparation of Annual New South Wales Treasury Returns
- a checklist of tasks for preparation of year-end financial reports
- a template for the reporting of emerging accounting issues to Treasury.

This Circular withdraws and supersedes TC 06/02.

Source: [New South Wales Treasury website.](#)

INTERNATIONAL UPDATE

International Accounting Standards Board (IASB)

IASB Webcast on Derecognition

The IASB exposure draft on 'Derecognition', was introduced in a live web presentation on 27 May 2009. A copy of the presentation and the question and answer session are available on the [project webpage](#).

The exposure draft is open for public comment until 31 July 2009.

Source: Accounting & Assurance News Today Issue 20 (22 May 2009).

IASB Webcast on Leases

On 13 May 2009, the joint IASB/FASB discussion paper, 'Leases - Preliminary Views', was introduced in a live web presentation. A copy of the presentation and the question and answer session are available on the [project webpage](#).

The proposals at this stage only deal with lessee accounting. Every lease will give rise to a right of use asset and corresponding liability. There will be no operating leases. Therefore, all leases will be on balance sheet under these proposals.

The discussion paper is open for public comment until 17 July 2009.

Source: Accounting & Assurance News Today Issue 19 (15 May 2009).

IASB concludes 2007-09 improvements project

The IASB has concluded its second annual improvements project with the issue of its latest standard, 'Improvements to International Financial Reporting Standards' (IFRSs).

The new standard makes minor amendments to twelve IFRSs.

More information on the improvements project is available on the [IASB website](#). The improvements project standard is expected to be approved and issued as an amending standard by the AASB shortly.

Source: Accounting & Assurance News Today Issue 16 (24 April 2009).

IASB Meeting Update - 22-24 April 2009

At its meeting, IASB discussed the following:

- global financial crisis
- discontinued operations
- earnings per share
- first-time adoption of IFRSs
- IFRS for small and medium-sized entities
- insurance contracts
- liabilities (amendments to IAS 37)
- management commentary
- post employment benefits
- rate regulated activities
- share based payments
- technical plan.

For further details, refer to the [IASB Website](#).

Source: IASB Website.

IASB Meeting Highlights - 18-21 May 2009 Meeting

At its meeting, IASB discussed the following:

- global financial crisis
- Conceptual Framework
- financial instruments with characteristics of equity
- first-time adoption of IFRSs
- insurance contracts
- joint ventures
- leases
- post-employment benefits
- rate-regulated activities
- revenue recognition
- annual improvements.

For further details, refer to the [IASB Website](#).

Source: IASB Website.

IFRIC Meeting Highlights - 7 May 2009 Meeting

IFRIC agenda decisions:

- IAS 12 'Income taxes' – classification of tonnage taxes
- IAS 16 'Property, Plant and Equipment' – disclosure of idle assets and construction in progress
- IAS 38 'Intangible Assets' – accounting for sales costs
- IAS 39 'Financial Instruments: Recognition and Measurement' – participation rights and calculation of the effective interest rate
- IAS 39 'Financial instruments: Recognition and Measurement' – classification of failed loan syndications
- IAS 41 'Agriculture' – discount rate assumption used in fair value calculations
- IFRIC 14 IAS 19 – 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' – voluntary prepayments.

IFRIC tentative agenda decisions:

- IFRS 3 'Business Combinations' – acquisition-related costs in a business combination
- IFRS 3 'Business Combinations' – early Application of IFRS 3
- IAS 7 'Statement of Cash Flows' – determination of cash equivalents
- IAS 27 'Consolidated and Separate Financial Statements' – transaction costs for non-controlling interests
- IAS 28 'Investments in Associates' – potential effect of IFRS 3 'Business Combinations' (as revised in 2008) and IAS 27 'Consolidated and Separate Financial Statements' (as amended in 2008) on equity method accounting
- IAS 28 'Investments in Associates' – venture capital consolidations and partial use of fair value through profit or loss
- IAS 28 'Investments in Associates' – impairment of investments in associates
- IAS 34 'Interim Financial Reporting' – interim disclosures about fair value
- IAS 38 'Intangible Assets' – compliance costs for REACH
- IAS 39 'Financial Instruments: Recognition and Measurement' – hedging using more than one derivative as the hedging instrument
- IAS 39 'Financial Instruments: Recognition and Measurement' – meaning of 'significant or prolonged'
- IFRIC 12 'Service Concession Arrangements' – scope of IFRIC 12
- IFRIC 18 'Transfers of Assets from Customers' – applicability to the customer.

For further details, refer to the [IASB Website](#).

Source: [IASB Website](#).

International Public Sector Accounting Standards Board (IPSASB) Exposure Drafts

The IPSASB has released a number of exposure drafts as part of its global IFRS convergence program. The recent exposure drafts are discussed below.

ED 36 'Agriculture'

This exposure draft proposes an IPSAS that converges with the IASB's IAS 41 'Agriculture', with limited changes to ensure consistency with other IPSASs. These changes include an acknowledgement that, in some jurisdictions, biological assets may be sold or transferred for nominal amounts.

ED 36 is available on the [IASB website](#) and comments are due to the IPSASB by 30 June 2009.

Source: Accounting & Assurance News Today Issue 16 (24 April 2009).

Financial Instruments EDs

The IPSASB has issued three exposure drafts to assist public sector entities in accounting for financial instruments, particularly derivatives, bonds and loans:

- ED 37 'Financial Instruments: Presentation'
- ED 38 'Financial Instruments: Recognition and Measurement'
- ED 39 'Financial Instruments: Disclosures'.

The IPSASB is proposing the adoption of the IASB's standards for financial instruments as issued at December 31, 2008. However, the EDs also include additional application guidance on two key public sector issues in the current economic conditions, financial guarantees that are given at zero cost or below market price, and concessionary loans (loans at below market interest rates).

EDs 37, 38 and 39 are available on the [IFAC website](#) and comments are due to the IPSASB by 31 July 2009.

Source: Accounting & Assurance News Today Issue 18 (8 May 2009).

ED 40 'Intangible Assets'

This exposure draft includes additional guidance on intangible heritage assets and also on web site costs based on IFRIC Interpretation 32 'Intangible Assets - Web Site Costs'. It specifically addresses the issues relating to intangible assets acquired in an entity combination and hence has been issued concurrently with ED 41.

ED 40 is available on the [IFAC website](#) and comments are due to the IPSASB by 15 August 2009.

Source: Accounting & Assurance News Today Issue 19 (15 May 2009).

ED 41 'Entity Combination from Exchange Transactions'

This exposure draft is based on the IASB's IFRS 3 'Business Combinations'. Entity combinations that arise from non-exchange transactions are being addressed in a separate public sector specific project.

ED 41 is available on the [IFAC website](#) and comments are due to the IPSASB by 15 August 2009.

Source: Accounting & Assurance News Today Issue 19 (15 May 2009).

International Auditing and Assurance Standards Board (IAASB)

IFAC 2009 'Handbook of International Standards on Auditing and Quality Control'

IFAC has released the 2009 'Handbook of International Standards on Auditing and Quality Control'. The handbook can be downloaded free of charge from the IFAC online [bookstore](#).

Source: [IFAC Website](#).

Formation of Asian-Oceanian Standards Setters Group

On 17 April 2009, a preparatory meeting of the Asian-Oceanian Standards Setters Group (AOSSG) was held in Beijing. The participants discussed issues related to establishing the AOSSG, the objectives of which include:

- promoting the adoption of or convergence with the IFRSs in the region
- supporting the IASB's effort to establish a single set of global accounting standards
- coordinating positions of jurisdictions in the region and participation in the development of the IFRSs
- improving the consistency and comparability of the financial reporting standards in the region
- enhancing the quality of financial reporting in the public interest of jurisdictions in the region.

Malaysia will hold the first meeting of the AOSSG in November 2009. For further details go to the [IASB website](#).

Source: Accounting & Assurance News Today (ANT) Issue 18 (8 May 2009).

International Forum of Independent Audit Regulators (IFIAR)

In April 2009, independent audit regulators from 30 jurisdictions participated in the fifth meeting of the IFIAR.

The meeting held extensive discussions on the impact on audit quality of the current market conditions and recent audit inspection activities. Representatives from a number of international organisations involved in supervision activities, including the International Organisation of Securities Commissions (IOSCO), the Financial Stability Board and the World Bank spoke at the meeting.

Further information is available on the [IFIAR website](#).

Source: Accounting & Assurance News Today (ANT) Issue 18 (8 May 2009).

MISCELLANEOUS PUBLICATIONS

Essential Guidance for the 2009 Financial Year End

The Institute of Chartered Accountants Australia has prepared the 'Essential Guidance for the 2009 Financial Year End' as a practical guide to address significant issues and areas that preparers, audit committees and auditors need to consider in undertaking their professional responsibilities.

The guidance focuses on three key areas of concern in these difficult reporting environments: fair value, asset impairment and going concern.

The guidance should be used as a reference tool only and can be found on the [CA website](#).

Source: Accounting & Assurance News Today (ANT) Issue 20 (22 May 2009).

Australian National Audit Office Publications

- Administration of the Securing our Fishing Future Structural Adjustment Package Assistance Programs.
- Administration of the Buyback Component of the Securing our Fishing Future Structural Adjustment Package.
- Army Reserve Forces.
- Online Availability of Government Entities' Documents Tabled in the Australian Parliament
- Settlement Grants Program.
- Management of the Movement Alert List.
- Administration of the Petroleum Resource Rent Tax.
- The Australian Taxation Office's Management of Serious Non-Compliance.
- Management of the Tendering Process for the Construction of the Joint Operation Headquarters.

These publications are available on the [ANAO website](#).

Queensland Audit Office Publication

- Auditor-General of Queensland Report to Parliament No.1 for 2009 Results of Local Government Audits.

This publication is available on the [QAO website](#).

Victorian Audit Office Publications

- Results of Audits for Entities with other than 30 June 2008 Balance Dates.
- The Channel Deepening Project.
- The New Royal Children's Hospital - a public private partnership.
- Management of School Funds.

These publications are available on the [VAGO website](#).

Tasmanian Audit Office Publications

- Volume 1 - Local Government Authorities, Including Business Units and Other State Entities 2007-2008.
- Volume 2 - Local Government Authorities 2007-2008.
- Special Report No. 80 - Hydro hedges - May 2009.

These publications are available on the [TAO website](#).

Office of the Auditor-General for Western Australia Publications

- Coming Ready or Not: Preparing for Large-scale Emergencies.
- Audit Results Report - 31 December 2008 Assurance Audits and other audits completed since 3 November 2008.

These publications are available on the [WA Audit Office website](#).

Independent Commission against Corruption (ICAC) Publications

- Profiling the New South Wales Public Sector 2007: Functions, risks and corruption prevention strategies - Organisational survey.
- Profiling the New South Wales Public Sector 2007: Understanding and managing corruption risks - Staff survey.
- Profiling the New South Wales public sector II - Methodology and respondent demographics.
- Profiling the New South Wales public sector II - Report 1: Results for the New South Wales public sector as a whole.
- Profiling the New South Wales public sector II - Report 2: Comparison of 2001 and 2007 organisation responses.
- Corruption Matters Issue No. 33 May 2009.

For further information go to the [ICAC Website](#).

Source: ICAC Website.

AUDIT OFFICE BETTER PRACTICE GUIDES

The Audit Office produces guides to better practice to assist agencies. The following is a list of those guides and the dates that they were published. All these guides are available on the at [Audit Office website](#).

Title of Guide	Date issued
Monitoring and Reporting on Audit Recommendations	May 2009
Implementing Successful Amalgamations	5 March 2008
Fraud Control Improvement Kit - Meeting your Fraud Control Obligations	20 July 2006
Fraud Control: Current Progress and Future Directions	9 February 2005
Shared Corporate Services: Realising the Benefits	3 November 2004
Management of Intellectual Property	October 2001
E-ready, e-steady, e-government: e-government readiness assessment guide	September 2001
Monitoring and Reporting on Performance Audit Recommendations	June 2001
Internal Financial Reporting	June 2001
Reporting Performance: A guide to preparing performance information for annual reports	November 2000
Contracting Out Review Guide	June 1999
Public Sector Corporate Governance - ready reckoner	April 1999
Methodology for the review of Residential Services for People with Disabilities	June 1998
On Board: guide to better practice for public sector governing and advisory boards	April 1998
The Corporate Credit Card: guidelines for internal control	January 1997
Debtors Administration	September 1996
Administration of Grants	December 1995
Joint operations in the Education Sector	September 1995
Fraud Control: developing an effective strategy Volume 1: conceptual framework Volume 2: strategy Volume 3: diagnostics Volume 4: Fraud control self audit kit	March 1994 March 1994 March 1994 March 1998

ACRONYMS AND ABBREVIATIONS

AAS	Australian Accounting Standards
AASB	Australian Accounting Standards Board
AIFRS/AEIFRS	Australian Equivalents to International Financial Reporting Standards
APRA	Australian Prudential Regulation Authority
ASA	Australian Auditing Standard
ASEA	Australian Standard on Assurance Engagements
ASIC	Australian Securities and Investments Commission
ASAE	Australian Standard on Review Engagements
AUASB	Auditing and Assurance Standards Board
BRCWG	Business Regulation and Competition Working Group
ED	Exposure Draft
FASB	Financial Accounting Standards Board (USA)
FCAG	Financial Crisis Advisory Group
GAAP	Generally Accepted Accounting Principles
GFS	Government Finance Statistics
GG	Government Gazette
GG SS	Government Gazette Special Supplement
GGS	General Government Sector
GPFR	General Purpose Financial Report
IAASB	International Auditing and Assurance Standards Board
HoTARAC	Heads of Treasuries Accounting and Reporting Advisory Committee
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IASCF	International Accounting Standards Committee Foundation
IFAC	International Federation of Accountants
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IPSASB	International Public Sector Accounting Standards Board
ISA	International Standards on Auditing
ISQC	International Standards on Quality Control
IVSC	International Valuation Standards Council
PCAOB	Public Company Accounting Oversight Board

COPIES OF REPORTS AND PUBLICATIONS

All performance audit reports are available on The Audit Office web site at www.audit.nsw.gov.au and can be purchased from the New South Wales Government Information Service (telephone 9743 7200).

Publications of the Australian Auditing and Assurance Standards Board (AUASB) including auditing and assurance standards, guidance statements, other guidance and exposure drafts are available direct from the AUASB as follows:

Australian Auditing and Assurance Standards Board
Phone: (03) 8080 7400
Fax: (03) 8080 7450
Postal Address: PO BOX 204 Collins Street West, Victoria 8007
Website: www.auasb.gov.au.

Publications of the Australian Accounting Standards Board (AASB), including Accounting Standards and Exposure Drafts are available direct from the AASB as follows:

Phone: (03) 9617 7600
Fax: (03) 9617 7608
Postal Address: PO BOX 204 Collins Street West, Victoria 8007
Website: www.aasb.com.au

Copies of International Federation of Accountants (IFAC) publications may be obtained direct from IFAC, 535 Fifth Avenue, 14th Floor, New York, NY 10017, USA (tel 212/286.9344 or fax 212/286.9570 or by visiting the IFAC web site at www.ifac.org.

Copies of International Accounting Standards, Exposure Drafts and International Accounting Standards Board (IASB) publications may be obtained direct from the IASB, 30 Cannon Street, London EC4M 6XH, United Kingdom (tel +44 (020) 7332-2730 or fax +44 (020) 7332-2749 or email publications@iasb.org or Internet www.iasb.org).

Copies of New South Wales Government legislation including changes to legislation can be purchased from the New South Wales Government Information Service. The legislation is also on the Internet at www.legislation.nsw.gov.au.

Treasury publications may be viewed by visiting the New South Wales Treasury web site at www.treasury.nsw.gov.au

Copies of Premier's Department Circulars and Premier's Memoranda may be viewed by visiting the Premier's Department website at www.dpc.nsw.gov.au.

The AWARENESS Newsletter is of a general nature only and is not intended to be a substitute for or relied upon as specific professional advice. No responsibility for loss occasioned to any person acting on or refraining from action as a result of any material in the publication can be accepted.